

January 20, 2004

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**STATE-COUNTY PROPERTY TAX ADMINISTRATION GRANT PROGRAM  
(3-VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve and instruct the Chair to sign this agreement with the State Department of Finance for the continued participation in the State-County Property Tax Administration Grant Program. Over the last eight years, the County has received \$13.45 million annually from the State of which the funding for the first seven years was in the form of a loan. The loan was repaid through the completion of certain work requirements contractually agreed upon with the State. Last year, FY 2002-03, the loan program was converted into a grant program that provided the same level of funding and completion of work requirements to be eligible for funding in future years. On December 10, 2003, the Chair signed a Board resolution (Agreement #74224) indicating the Board's desire to participate in the Grant Program through June 30, 2007 unless otherwise rescinded.

**PURPOSE OF RECOMMENDED ACTION**

In November 1995, the County entered into an agreement with the State for participation in the State-County Property Tax Administration Loan Program. Each year since then, your Board approved modifications to the agreement revising the workload figures for fiscal years 1996-97 through 2001-02, as well as the estimated allocation of loan proceeds, as requested by the State and required by agreement provisions.

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The loan program originally initiated under Assembly Bill 818 guaranteed our participation for three fiscal years to include FY 95-96, FY 96-97 and FY 97-98. Subsequent Assembly Bills extended the program through FY 2001-02. Assembly Bill 589, enacted in October 2001, created the State-County Property Tax Administration Grant Program to provide grants beginning with FY 2002-03 through FY 2006-07. Our participation in the Property Tax Administration Program is evaluated by the State on an annual basis to ensure compliance with agreement terms and changes in workloads.

The Department plans to use the funds received from the State to fund appraisal and support positions, overtime as needed, and to enhance its property tax administration system, as specified in Exhibit B of the agreement.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommended Board actions are consistent with the County's Workforce Excellence Goal, Strategy 1; Organizational Effectiveness Goal, Strategy 2 and Fiscal Responsibility Goal, Strategy 2. In all cases, we are receiving additional revenues to help recruit and retain dedicated employees, and to improve internal operations by enhancing the property tax administration system. The County also stands to gain additional revenues, as indicated on the next page under Fiscal Impact.

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### **JUSTIFICATION**

Approval of the proposed agreement will permit participation in the State-County Property Tax Administration Grant Program and thus allow the County to receive Program funds.

### **FISCAL IMPACT**

Participation in this Program has allowed the Department to receive \$13.45 million annually since FY 1995-96, and we stand to receive an equal amount in FY 2003-04. The property tax revenue figures clearly demonstrate that our participation in this Program is substantially beneficial to the County. Last year the County received approximately \$2.70 in property tax revenue for every dollar of Grant money received through this Program. Non-participation in this Program will result in the loss of needed funding, the layoff of a significant number of staff, and a reduction in property tax revenue beyond the amount of the loan received.

In addition, any funds remaining in the account at the end of each annual term must be rolled over to the next fiscal year for authorized uses.

There is no Net County Cost stemming from the agreement or from participation in this Program.

### **FINANCING**

All funds will come from the State-County Property Tax Administration Grant Program.

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### **FACTS AND PROVISION/LEGAL REQUIREMENTS**

The proposed agreement is in keeping with contractual provisions calling for satisfactory achievement of work performance and to satisfy the State requirement for an allocation of the use of grant proceeds for FY 2003-04. Revenue and Taxation Code Section 95.35 establishes and defines the purpose and requirements of this Program.

County Counsel has reviewed and approved the agreement as to form.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Current services will not be impacted in any way by the proposed agreement. Non-participation in the Program, however, would have a negative fiscal impact, as indicated above.

### **CONCLUSION**

It is in the County's interest to participate in the State-County Property Tax Administration Grant Program. Doing so will generate additional General Fund revenue to the County and partially fund the needed modifications and/or replacement of the County's property tax computer systems.

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Upon approval by the Board of Supervisors, the Executive Office, Board of Supervisors is requested to return one original of each, this letter and the agreement to:

Office of the Assessor  
Administrative and Roll Services  
304 Kenneth Hahn Hall of Administration  
Attention: Gilbert Parisi, Director

Respectfully submitted,

RICK AUERBACH

RA:RH:ek  
Attachments (3)

c: Executive Officer, Board of Supervisors  
Chief Administrative Officer  
Auditor-Controller  
Director, State Department of Finance

## DEPARTMENT OF FINANCE APPROVED AGREEMENT FORM

### AGREEMENT FOR STATE-COUNTY PROPERTY TAX ADMINISTRATION PROGRAM

This Agreement is entered into this \_\_\_\_ day of \_\_\_\_\_, 2004 by and between the County of \_\_\_\_\_ (County) and the State Department of Finance (State).

#### WITNESSETH:

WHEREAS, Revenue and Taxation Code Section 95.35 provides that upon recommendation of the Assessor, and by resolution of the Board of Supervisors, the County may elect to participate in the State-County Property Tax Administration Program, administered by the State; and

WHEREAS, the Assessor has consulted with the County Tax Collector and the County Auditor-Controller to discuss the needs of the Property Tax Administration Program during the term of this agreement; and

WHEREAS, in order to participate in the State-County Property Tax Administration Program, the County must enter into an agreement with the State;

NOW, THEREFORE, the parties agree as follows:

1. PERIOD OF AGREEMENT

This Agreement shall commence upon the date of execution by both parties and shall expire on June 30, 2004.

2. GRANT AMOUNT

The State agrees to make available to the County a grant in the amount of \$13,451,670 for fiscal year 2003-04.

3. COUNTY REQUIREMENTS

The County agrees to use the funds received from the State to enhance the property tax administration system. The County agrees not to use the funds to supplant the Assessor's base year level of funding. The County understands and agrees that in order for the County to be eligible to participate in this State-County Property Tax Administration Program, it must maintain a base staffing, including contract staff, and total funding level in the Assessor's Office, independent of the grant proceeds provided pursuant to this Act, equal to the levels in the 1994-95 fiscal year exclusive of the amounts provided to the Assessor's Office pursuant to item 9100-102-001 of the Budget Act of 1994. In a county in which the 1994-95 fiscal year funding level for the Assessor's office was higher than the 1993-94 fiscal year level, the 1993-94 fiscal year staffing and funding levels shall be considered the base year for purposes of this section.

The 1994-95 fiscal year base funding and staffing levels, as determined by the Assessor's Office and the Chief Administrative Office of the County, which shall be deemed to satisfy this requirement are as follows:

Gross Appropriation	\$ 79,921,958
Total Budgeted Positions	1,355
Additional Contract Positions	2

4. RECEIPT OF FUNDING

In fiscal year 2003-04, the County shall receive payment of \$13,451,670 within thirty (30) days after the approval of this agreement by both parties. To participate in the program in fiscal years 2003-04 through 2006-07 the County is required to provide written notice to the State. The notice will specify the amount of the grant request and shall be signed by the County's Project Director and Chief Administrative Officer.

The State shall make payment of the approved grant amount within thirty (30) days after receipt of the Auditor-Controller's verified calculations establishing that the County has satisfied its prior year performance requirements as specified in Section 5.

5. SATISFACTORY PERFORMANCE

The County is deemed to have satisfactorily met its performance requirements where the result of the following computations is equal to or exceeds the grant amount received by the County:

- (a) Beginning with the fiscal year 2002-03 roll closure and annually thereafter, the County shall compute, to the extent possible, the total value change in the following categories (see Exhibit A):
  - Transfers
  - New Construction
  - Supplemental value added (estimated at 50% of the transfer and new construction values)
  - Mandatory and non-mandatory audits
  - Proposition 8 Restorations
  - Business total (all secured and unsecured personal property and fixture values)
  - Assessment Appeals values (the difference between the taxpayers' opinion of value and the Assessment Appeals Boards' determinations of values finalized during that fiscal year)
- (b) The total of this value change shall be multiplied by a tax rate of 1% to estimate the total property tax revenue impact of these components.
- (c) This revenue amount shall be factored by the percentage which is derived when dividing the grant amount by the Assessor's annual total budget.
- (d) This amount is then factored by the percentage of the schools' share of added revenue.

Where this final result, the schools' share of added revenue, is equal to or greater than the grant amount to the County, the County's performance under this contract shall be deemed met.

6. RENEGOTIATION OF THE DEFINITION OF SATISFACTORY PERFORMANCE

At the request of the County, the State agrees to renegotiate in good faith the definition of satisfactory performance as specified in Section 5, if there is any major misfortune or calamity occurring in the County affecting 1% of the assessable parcels in the County.

7. PROPOSED USE OF GRANT

The County will use the funds received from the State to fund appraisal, clerical and support positions, overtime as needed, and to enhance its property tax administration system, as specified in Exhibit B.

It is understood and agreed that funds received by the County, including accrued interest, pursuant to this program shall be deposited into the Property Tax Administration Program trust fund to be used as required by Revenue and Taxation Code Section 95.35. Any funds remaining in the account at the end of each annual term may be rolled over to the next fiscal year for authorized uses consistent with the provisions of Section 95.35.

It is also understood that upon satisfaction of the terms set forth in Section 5 for each annual grant, the State will have no further claim on these funds provided the County continues to meet the requirements stipulated in Section 3.

However, in the event that the County has not expended all of the grant proceeds, the County may, at its option, return to the State all or a portion of any unspent grant proceeds.

8. FAILURE TO MEET SATISFACTORY PERFORMANCE REQUIREMENTS

The State is not obligated to make the grant in fiscal years 2004-05 through 2006-07 if the County has not satisfied its performance requirements as established in Section 5, or renegotiated the definition of satisfactory performance.

The State may make a grant in any year of this program in a lesser amount than that requested by the County if the State determines that the County would be unable to fully meet its performance requirements as established in Section 5.

9. REPORTING CRITERIA

The County will also provide to the State, by August 15 of the following fiscal year, a report showing the schools' share of added revenue as calculated in Section 5.

10. PROJECT RESPONSIBILITY - COUNTY

County will provide a Project Director who will be responsible for ensuring the objectives under this agreement are met. The Project Director will monitor County performance.

County's Project Director will serve as liaison with the State's Project Director on an as needed basis.

County's Project Director shall provide direction to the State in the areas relating to County policy, and information and procedural requirements.



County's Project Director for this agreement shall be:

Gilbert Parisi, Director, Assessor's Operations  
Office of the Assessor  
Kenneth Hahn Hall of Administration  
500 W. Temple St., Room 304  
Los Angeles, CA 90012

(213) 974-3121

County shall notify the State in writing of any change in the name or address of County's Project Director.

11. PROJECT RESPONSIBILITY - STATE

The State will provide a Project Director who will be responsible for State performance under this agreement. The Project Director shall be a full-time employee of the State.

The State's Project Director for this agreement will be:

Connie Squires, Program Budget Manager  
Local Government Unit  
State Department of Finance  
915 L. Street  
Sacramento, CA 95814

(916) 322-2263

The State's Project Director will serve as liaison with County's Project Director on an as needed basis.

The State shall notify the County in writing of any changes in the name or address of the State's Project Director.

12. EXCLUSIVE AGREEMENT

This agreement constitutes the complete and exclusive statement of understanding between the parties which supersedes all previous agreements, written or oral, and all other communications between the parties relating to the subject matter of this agreement.

13. CHANGES AND AMENDMENTS

The County and the State reserve the right to change any portion of the work required under this agreement or to amend such other items and conditions as it may become necessary. Any such revisions shall be accomplished only with the written approval of the Assessor, the County and the State.

14. NOTICES

All notices or demands required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been given if made by hand delivery with signed receipt, or as shown on the receipt when mailed by first-class, registered or certified mail, postage prepaid, addressed to the County and State at their respective addresses designated below or at such other address as County or State shall have furnished in writing to the other.

The designated addresses of respective parties for the purpose of notice are as follows:

COUNTY:

Los Angeles County  
Office of the Assessor  
Kenneth Hahn Hall of Administration  
500 W. Temple St., Room 304  
Los Angeles, CA 90012

Attn: Gilbert Parisi  
Director, Assessor's Operations

STATE:

State of California  
Department of Finance – Local Government  
Unit  
915 L. Street  
Sacramento, CA 95814

Attn: Matt Paulin  
Title Head, Local Government Unit

Los Angeles County  
Chief Administrative Office  
Kenneth Hahn Hall of Administration  
500 W. Temple St., Room 713  
Los Angeles, CA 90012

Attn: David E. Janssen  
Chief Administrative Officer

IN WITNESS WHEREOF:

The County of Los Angeles Board of Supervisors has caused this agreement to be subscribed by the Chairman and the seal of said Board to be hereto affixed and attested by the Executive Officer and Clerk hereof, and the State has caused this agreement to be signed by its duly authorized officer this \_\_\_\_\_day of \_\_\_\_\_, 2004.

County of Los Angeles

By \_\_\_\_\_  
Chair, Board of Supervisors

Attest: Violet Varona-Lukens  
Executive Officer-Clerk of  
the Board of Supervisors

State: State Department of Finance

By \_\_\_\_\_  
Deputy

By \_\_\_\_\_  
Title

APPROVED AS TO FORM  
BY COUNTY COUNSEL

LLOYD W. PELLMAN

By \_\_\_\_\_  
Deputy

2004 PROJECTED PROPERTY TAX ADMINISTRATION PROGRAM  
WHOLE OFFICE APPROACH  
ALL CATEGORIES (VALUE IN THOUSANDS)

	<u>Units (est.)</u>	<u>2004 (est.)</u>
TRANSFERS		
NEW CONSTRUCTION	550,000	\$30,620,000
SUPPLEMENTAL VALUE ADDED(1)	102,000	\$4,453,000
AUDITS (MANDATORY & NON-MANDATORY)		\$17,536,500
PROP 8'S - RESTORE PROJECT	6,200	\$2,300,000
	62,000	\$2,711,000
BUSINESS TOTAL (ALL PP & FIX. SEC. & UNSEC.)		
AAB'S(2)	301,000	\$64,183,000
TOTAL CHANGED VALUE	11,000	\$14,190,000
		<u>\$135,993,500</u>
1% Tax Revenue		\$1,359,935
ASSESSOR PTAP % (3)		<u>10.7%</u>
		\$145,513
Schools share %		<u>41.0%</u>
		\$59,660
SCHOOLS SHARE OF ADDED VALUE		
PTAP GRANT AMOUNT		\$59,660
		\$13,452
DIFFERENCE		
		\$46,208

PROPERTY TAX ADMINISTRATION PERCENT CALCULATION:

PTAP GRANT AMOUNT	\$13,452
ASSESSOR BUDGET (Gross Appropriation FY 2002-03)	\$126,255
ASSESSOR PTAP % (3)	10.7%

(1) Supplemental value estimated at 50% of Transfer and New Construction value.

(2) AAB's Summary Report - Total Saved Taxpayer - AAB's for RE & MP.

(3) PTAP grant amount/assessor budget.

**OFFICE OF THE ASSESSOR  
PROPERTY TAX ADMINISTRATION PROGRAM  
ESTIMATED GRANT ALLOCATION  
FISCAL YEAR 2003-04**

<b>FY 2003-04 Grant Amount</b>	<b>\$13,451,670</b>
<b>Roll-Over Funding From 2002-03</b>	<b><u>9,108,098</u></b>
<b>Total Allocation</b>	<b>\$22,559,768</b>

<b>STAFFING</b>	<b>ALLOCATION</b>
Funding to maintain 1994-95 Budgeted Positions and Appraiser Trainees	<b>\$10,533,408</b>
Appraisal Staff Overtime	<b>547,592</b>
<b>TOTAL STAFFING</b>	<b>\$11,081,000</b>
Auditor-Controller Auditing Costs	<b>37,000</b>
Mileage and Parking	<b>172,000</b>
Continue rebuilding Assessor's Property Tax System and other system and process modifications*	<b>11,269,768</b>
<b>TOTAL ALLOCATION</b>	<b>\$22,559,768</b>

\*Cost includes hardware acquisition, programmers, analysts, consultants, and ITS to facilitate a complete secured system modification. We are in the process of finishing the writing of requirements for the complete system. We also anticipate purchasing an interim product to enhance public service and expedite the appraisal process. Fiscal year expenditures are anticipated to be 25-30% of this total.